



## **Request for City Council Committee Action From the Department of City Coordinator**

**Date:** December 9, 2002

**To:** Council Member Barbara Johnson, Chair  
Ways & Means/Budget Committee

**Subject:** **New Central Library Project –Project Insurance Program/ Umbrella Liability Policy/ Builders Risk Insurance Policy/ Project Professional Insurance/ Contractor’s Pollution Liability Insurance**

### **Recommendation:**

Approve the New Central Library Implementation Committee’s Insurance Subcommittee recommendation that:

1. Proper officials be authorized to execute a contract with AIG to provide the umbrella liability coverage as part of the project OCIP insurance program (4400-908-9080)
2. Proper officials be authorized to execute a contract with Liberty Mutual to provide the Builder’s Risk coverage as part of the project insurance program (4400-908-9080)
3. The Project insurance program outlined in this report be adopted and that the Project not utilize either (a) Project Professional Liability policy, or (b) Contractor’s Pollution Liability policy

### **Previous Directives:**

October 11, 2002 – Authorization to utilize Project OCIP, selection of St. Paul Companies as OCIP insurer

June 7, 2002 – Authorization to negotiate contract with Marsh Inc for Insurance Broker services

March 18, 2002 – Authorization to Issue RFP for Insurance Broker

January 18, 2002 – Direction to the New Central Library Project Implementation Committee to continue examining alternative bonding approaches for the project.

**Prepared/Submitted by:** Richard A Johnson, Project Coordinator \_\_\_\_\_

**Approved by:** John Moir, City Coordinator \_\_\_\_\_

**Presenters in Committee:** Richard A Johnson, Project Coordinator

**Financial Impact** (Check those that apply)

- ☒ No financial impact - or – Action is within current department budget
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (use any categories that apply)

**Background/Supporting Information:**

In June the Library Board and City accepted the recommendation of the New Central Library Implementation Committee to retain Marsh Inc. to provide insurance broker services for the New Central Library Project. As was previously reported to the Council, Marsh has completed its feasibility study on an OCIP and a carrier (St. Paul Companies) has been selected to provide the OCIP. The feasibility study and insurance procurement process were presented to the PRC on August 8.

In addition to the OCIP coverage, Marsh was asked to provide us with quotes for the following types of insurance:

1. Umbrella Liability coverage of at least \$25 million to increase the limits of coverage under the OCIP
2. Builder's Risk coverage, which is normally carried by the Owner on any construction project
3. Project Professional Liability insurance, which is not typically carried by the Owner but has some merit in certain situations, and
4. Contractor's Pollution Liability coverage.

Marsh has submitted underwriting criteria to the insurance markets and has summarized the results of its marketing efforts in the attached memorandum. Marsh reviewed the results of the feasibility study with Project staff and the City's Risk Manager, and on November 27, 2002, presented the feasibility study to your Implementation Committee's Insurance Subcommittee. The Insurance Subcommittee unanimously adopted the recommendations set forth above.

**Umbrella Liability**

Umbrella Liability coverage generally increases the limits of coverage provided by the OCIP. On a project like this one, at least \$25 million coverage is considered necessary. The cost of this coverage was included in the feasibility study performed in connection with the OCIP. The results of Marsh's umbrella liability insurance marketing efforts are included in your packets.

Staff concurs with the recommendation of Marsh to select AIG as the Umbrella Liability provider.

#### Builder's Risk

The results of Marsh's Builder's Risk marketing efforts are included in your packets. Staff concurs with the recommendation of Marsh to select Liberty Mutual as the Builder's Risk provider for the reasons outlined in the attached memorandum from Marsh.

#### Project Professional Liability

The results of Marsh's project professional liability insurance marketing efforts are included in your packets. Marsh reviewed the results of the market study with Project staff and the City's Risk Manager. After careful consideration, the recommendation is to **not** procure project professional liability insurance. This recommendation is based in part upon the relatively high cost of the insurance product and the relatively low increase in limits provided by the product in today's insurance market.

#### Contractor's Pollution Liability

The results of Marsh's contractor's pollution liability insurance marketing efforts are included in your packets. Marsh reviewed the results of the market study with Project staff and the City's Risk Manager. After careful consideration, the recommendation is to **not** procure contractor's pollution liability insurance. This recommendation is based in part upon the cost of the insurance product and the relatively narrow coverage provided by the product.

Richard Johnson will be present at your committee to answer questions

Thank you for consideration of this request.